

AGREEMENT #357-O1411

ECONOMIC INCENTIVE AGREEMENT
BETWEEN THE COUNTY OF EL DORADO AND
BLOO SOLAR

This Economic Incentive Agreement (“Agreement”) is made and entered into as of this ____ day of _____, 2013 (the “Effective Date”), by and between the COUNTY OF EL DORADO, a political subdivision of the State of California, hereinafter referred to as “COUNTY”, and Q1 NanoSystems Corporation, dba Bloo Solar, a Delaware corporation, registered to do business in the State of California and hereinafter referred to as “BLOO SOLAR.”

RECITALS

WHEREAS, the El Dorado County Board of Supervisors adopted a policy of supporting economic development by providing financial assistance to qualifying companies locating or expanded employment and business opportunities in El Dorado County; and

WHEREAS, BLOO SOLAR proposes to expand and build-out leased space in El Dorado Hills in El Dorado County for a research and development and prototype production facility (“Bloo Solar Facilities”);and

WHEREAS, BLOO SOLAR and RJM Property Holdings LLC entered into a ten year lease for approximately 31,200 square feet (“Lease”) effective in September 2011; and

WHEREAS, BLOO SOLAR is investing a substantial amount of money in facilities and equipment in El Dorado County; and

WHEREAS, the BLOO SOLAR Facilities expansion will benefit the citizens of the County in that such investment is expected to expand the property tax base of the County, directly infuse significant dollars annually into the County’s economy and create high value jobs; and

WHEREAS, the economic benefits that will accrue to county residents as a result of this business are consistent with the goals and economic development policy of the Board of Supervisors; and

WHEREAS, the Board of Supervisors finds that absent participation by the County in the form of financial assistance pursuant to this Agreement, the BLOO SOLAR Facilities expansion would not be constructed within the County:

NOW THEREFORE, The El Dorado County Board of Supervisors proposes to provide Economic Development Assistance (EDA) to BLOO SOLAR based on the following:

INVESTMENT CONDITION ON ECONOMIC DEVELOPMENT ASSISTANCE

Upon written request from BLOO SOLAR, the County Auditor-Controller shall calculate an EDA payment equal to the County's portion of property taxes paid on business personal property, fixtures and leasehold improvements located in El Dorado County for the first year the property is assessed.

EDA from the COUNTY shall only be available to BLOO SOLAR under this Agreement if BLOO SOLAR remains located for current operations and expansion for prototype production within El Dorado County for the duration of the Lease (the "Minimum Period"), and BLOO SOLAR is in material compliance with all of the material terms and conditions of this Agreement.

Should BLOO SOLAR purchase or construct facilities that result in increased assessed value due to the establishment of a new base year value, the increase will be eligible for a "real property acquisition EDA". This EDA will be calculated each year as the initial supplemental assessment increased by the §51 trend. The term of the real property acquisition EDA will run concurrently with the term of the initial lease of the property at 5000 Robert J. Mathews Pkwy and will expire at the end of the initial lease period of ten years.

ARTICLE I - TERM:

- A. The term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of (i) the expiration of the Lease or (ii) the date upon which BLOO SOLAR ceases all operations in the County, in each case subject to the COUNTY's early termination rights as described below:

- B. **EARLY TERMINATION OF THE COUNTY'S ECONOMIC DEVELOPMENT ASSISTANCE OBLIGATION.** If BLOO SOLAR suspends or ceases operations at the BLOO SOLAR Facilities for twelve (12) consecutive months during the term of the Agreement, the COUNTY's obligation to BLOO SOLAR for EDA shall immediately terminate, and the COUNTY shall have the right to terminate this Agreement and BLOO SOLAR shall reimburse the COUNTY for the EDA payments that BLOO SOLAR received under this Agreement. Excluded from these time periods are periods when operation or construction was suspended or interrupted due to events beyond the reasonable control of BLOO SOLAR, such as acts of God, fire, earthquake, acts of a public enemy, riot, insurrection, governmental restrictions on the sale of materials or supplies or on the transportation of such materials or supplies, strike directly affecting construction or transportation of materials or supplies, shortages of materials or labor resulting from government controls, weather conditions, unavailability of possession of the property due to governmental action or inaction, or any other case or events beyond the reasonable control of BLOO SOLAR.

ARTICLE II - COUNTY ECONOMIC DEVELOPMENT ASSISTANCE OBLIGATION:

- A. COUNTY and BLOO SOLAR acknowledge that BLOO SOLAR will pay applicable property taxes required to be paid and that such property tax is distributed to various jurisdictions obligated by law to receive the distribution.
- B. BLOO SOLAR shall provide a written request for reimbursement to the County Auditor-Controller, along with supporting documentation as required by the County Auditor-Controller.
- C. During the term of this Agreement, if BLOO SOLAR challenges the property assessment or requests a refund from the COUNTY of any property tax payment, the COUNTY may withhold the EDA payment due under this Agreement until the challenge has been resolved. If EDA payments have already been made, and BLOO SOLAR receives a refund of any property tax payments as a result of such challenge, BLOO SOLAR shall repay to the COUNTY the portion of such reimbursement applicable to such refund.

ARTICLE III - COMPLIANCE WITH LAWS:

BLOO SOLAR shall comply with all applicable Federal, State, and County laws, regulations and ordinances.

ARTICLE IV - GOVERNING LAWS AND JURISDICTION:

This Agreement shall be deemed to have been executed and to be performed within the State of California and shall be construed and governed by the internal laws of the State of California. Any legal proceedings arising out of or relating to this Agreement shall be brought in El Dorado County, California.

ARTICLE V - LICENSING AND PERMITS:

BLOO SOLAR shall possess and maintain all necessary material licenses, permits, certificates and credentials required by the laws of the United States, the State of California, County of El Dorado and all other applicable governmental agencies. Failure to maintain such licenses, permits, certificates, and credentials shall be deemed a breach of this Agreement and constitutes grounds for the termination of this Agreement by COUNTY.

ARTICLE VI - INDEMNIFICATION:

Each party to this Agreement shall indemnify, defend, and hold harmless the other party, their respective Board of Supervisors, officers, directors, stockholders, agents, employees and volunteers, as applicable, from and against any and all claims, demands, actions, losses, liabilities, damages, and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of this Agreement, but only to the extent of the grossly negligent acts, errors or omissions, or recklessness or willful misconduct on the part of the indemnifying party or on the part of the indemnifying party's employees, agents or subcontractors.

The provisions of this Section shall survive expiration or termination, for default or otherwise, of any agreement between BLOO SOLAR and COUNTY.

In the event BLOO SOLAR fails to comply with any provisions of this Agreement, COUNTY may withhold the EDA payment until such non-compliance has been corrected, or terminate this Agreement in accordance with the Termination provision in Article XIII – Termination, paragraph A, below.

ARTICLE VII - SUBCONTRACTS, ASSIGNMENT:

Neither this Agreement, nor the rights and obligations of the parties hereunder shall be assignable or transferable by any of the parties without the consent of the other party, which shall not be unreasonably withheld, or by operation of law. Any other attempted or purported assignment shall be void and of no effect.

ARTICLE VIII - AMEND AND WAIVER:

Except as provided herein, no alteration, amendment, variation, or waiver of the terms of this Agreement shall be valid unless made in writing and signed by both parties. Waiver by either party of any default, breach or condition precedent shall not be construed as a waiver of any other default, breach or condition precedent, or any other right thereunder. No alteration, amendment variation, or waiver of the terms of this Agreement shall be binding upon the COUNTY unless agreed to by the County Board of Supervisors.

ARTICLE IX – SUCCESSORS:

This Agreement shall bind the successors of COUNTY and BLOO SOLAR in the same manner as if they were expressly named.

ARTICLE X – TIME:

Time is of the essence of this Agreement.

ARTICLE XI – INTERPRETATION:

This Agreement shall be deemed to have been prepared equally by both of the parties, and the Agreement and its individual provisions shall not be construed or interpreted more favorably for one party on the basis that the other party prepared it.

ARTICLE XII – DISPUTES:

In the event of any dispute arising out of or relating to this Agreement, the parties shall attempt, in good faith, to promptly resolve the dispute mutually between themselves. If the dispute cannot be resolved by mutual agreement, nothing herein shall preclude either party's right to pursue remedy or relief by civil litigation, pursuant to the laws of the State of California.

ARTICLE XIII – TERMINATION:

- A. COUNTY may terminate this Agreement for cause immediately upon giving written notice to BLOO SOLAR should BLOO SOLAR fail to perform any of the material covenants contained in this Agreement in the time and/or manner specified. If notice of termination for cause is given by COUNTY to BLOO SOLAR and it is later determined that BLOO SOLAR was not in default or the default was excusable, then the notice of termination shall be rescinded and this Agreement shall be reinstated between the parties upon the same terms and conditions as set forth herein.
- B. COUNTY may suspend, amend or terminate this Agreement immediately upon giving written notice to BLOO SOLAR if (1) funds paid as property taxes by BLOO SOLAR are, due to expropriation by the state or federal government in accordance with law, no longer in the possession of COUNTY for reimbursement to BLOO SOLAR at the time they are due, (2) due to change in law or regulation, COUNTY no longer collects property tax from BLOO SOLAR, or (3) due to a change in law or regulation beyond the control of COUNTY, COUNTY no longer has the legal authority to reimburse property taxes pursuant to this Agreement. Any suspension, amendment or termination of this Agreement pursuant to this Section shall preserve the reimbursement rights of BLOO SOLAR to the extent that funds are still available for reimbursement. Nothing in this provision shall prevent BLOO SOLAR from pursuing any remedies against the responsible government authority otherwise available to it under law.
- C. COUNTY may terminate this Agreement in accordance with the Early Termination provision in Article I - Term.

ARTICLE XIV – AUDITS AND RECORDS; CONFIDENTIALITY:

- A. Upon COUNTY's request and at COUNTY's sole expense, COUNTY or its designee shall have the right to audit, at BLOO SOLAR's premises, documentation of all expenditures associated with the performance of BLOO SOLAR's obligations under this Agreement. BLOO SOLAR shall maintain such records for a period of four years following termination of the Agreement.
- B. Final plans, books, contracts, records, and documents associated with the payment of property taxes, employment verification and performance of BLOO SOLAR's other obligations under this Agreement shall at all times be maintained in reasonable condition for audit and shall be subject to reasonable examination by the COUNTY or its agents during reasonable hours upon reasonable notice solely for the purpose of reviewing BLOO SOLAR's compliance with this Agreement. The books and accounts of the operations under this Agreement shall be kept in accordance with generally accepted accounting principles. COUNTY shall handle records provided pursuant to this provision as confidential and proprietary business information to the extent allowed by State and Federal laws.

C. Neither party will use any Confidential Information (as defined below) of the other party except to the extent necessary to effect the purpose of this Agreement, and neither party will disseminate or in any way disclose any Confidential Information of the other party to any person, firm, business or governmental agency or department, except as such disclosure is expressly permitted in this Agreement. The receiving party shall treat all of the disclosing party's Confidential Information with the same degree of care as the receiving party accords to its own Confidential Information, but not less than reasonable care. The receiving party shall disclose the disclosing party's Confidential Information only to those of the receiving party's employees, consultants and contractors who need to know the information to assist the receiving party with respect to the purpose of this Agreement. The receiving party shall promptly give notice to the disclosing party of any unauthorized use or disclosure of the disclosing party's Confidential Information. The receiving party will reasonably cooperate with the disclosing party in remedying the unauthorized use or disclosure of the disclosing party's Confidential Information.

The receiving party's obligations under this Article XIV, paragraph C shall not apply to any of the disclosing party's Confidential Information that: (a) becomes known publicly, before or after disclosure of the Confidential Information, other than as a result of the receiving party's improper action; (b) was rightfully in the receiving party's possession free of any obligation of confidence at or subsequent to the time the Confidential Information was communicated to the receiving party by the disclosing party; (c) was developed by employees or agents of the receiving party independently of and without reference to any of the disclosing party's Confidential Information; (d) was communicated by the disclosing party to an unaffiliated third party free of any obligation of confidence; or (e) is approved for release in writing by the disclosing party.

A disclosure by the receiving party of any of the disclosing party's Confidential Information (i) in response to a valid order by a court or other governmental body; (ii) as otherwise required by law; or (iii) necessary to establish the rights of either party under this Agreement shall not be considered to be a breach of this Agreement by the receiving party; provided, however, that the receiving party provides prompt prior written notice thereof to the disclosing party to enable the disclosing party to seek a protective order or otherwise prevent the disclosure. The obligations of this Article XIV, paragraph C, will terminate upon termination of this Agreement.

For purposes of this Agreement, "Confidential Information" means any document or information that the disclosing party designates or marks as "Confidential" at the time of disclosure to the receiving party.

ARTICLE XV - ADMINISTRATOR

The County Officer or employee with responsibility for administering this Agreement is Kimberly Kerr, Assistant Chief Administrative Officer, or successor.

ARTICLE XVI - PRIOR AGREEMENTS:

This document constitutes the entire Agreement between COUNTY and BLOO SOLAR regarding the subject matter of this Agreement. Any prior agreements, whether oral or written, between COUNTY and BLOO SOLAR regarding the subject matter of this Agreement are hereby terminated effective immediately upon full execution of this Agreement.

ARTICLE XVII - FUTURE AGREEMENTS:

COUNTY and BLOO SOLAR recognize the potential for future expansion of BLOO SOLAR's activity in El Dorado County beyond the scope contemplated by this Agreement for which EDA may be necessary and may result in great benefit to the COUNTY. Both parties are willing to enter into negotiations regarding a separate economic incentive agreement relating to any such further expansion at a future date. Nothing in this Agreement restricts nor obligates or guarantees the availability of EDA available under such separate agreement.

ARTICLE XVIII - DUPLICATE COUNTERPARTS:

This Agreement may be executed in duplicate counterparts. The Agreement shall be deemed executed when it has been approved by the Board of Supervisors and signed by both parties.

ARTICLE XIX – NOTICE TO PARTIES:

Any notice, demand, request, consent, or approval that either party hereto may or is required to give the other pursuant to this Agreement shall be in writing and shall be either personally delivered or sent by mail, addressed as follows:

TO COUNTY:

County of El Dorado
Chief Administrative Office
330 Fair Lane
Placerville, CA 95667
ATTN: Kimberly Kerr, Assistant Chief Administrative Officer

TO BLOO SOLAR:

Bloo Solar
5000 Robert J. Mathews Parkway
El Dorado Hills, CA 95762
ATTN: Larry Bawden, Chief Executive Officer

Either party may change the address to which subsequent notice and/or other communications can be sent by giving written notice designating a change of address to the other party, which shall be effective upon receipt

COUNTY CONTRACT ADMINISTRATOR CONCURRENCE:

By: _____
Kimberly Kerr
Assistant Chief Administrative Officer
Chief Administrative Office

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

-- COUNTY OF EL DORADO --

By: _____
Terri Daly, Purchasing Agent
Chief Administrative Office
"County"

-- BLOO SOLAR --

By: _____
Larry Bawden
Chief Executive Officer
"Bloo Solar"